

**REMARKS / ARGUMENTS**

Claims 1-44 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over Ausubel et al., “Vickrey Auctions with Reserve Pricing” (June 28, 1999) (the “Ausubel article”) in view of U.S. Patent No. 6,026,383 to Ausubel (“Ausubel ‘383 patent”), further in view of Dutch Auction Glossary (1997-1999 Cyberinvest.com). Claim 1 further stands rejected under 35 U.S.C. § 101 as being directed to nonstatutory subject matter. Applicant respectfully traverses such rejections.

**I. CLAIM REJECTIONS UNDER 35 U.S.C. § 103.****A. There Is No Evidence Of Motivation To Combine The Ausubel Article With The Ausubel '383 Patent.**

As stated above, the Examiner has rejected Claims 1-44 under 35 U.S.C. § 103(a) as being unpatentable in light of combination of the cited references. In order for a claim to be rendered invalid as obvious under 35 U.S.C. § 103, the subject matter of the claim as a whole would have be obvious to a person of ordinary skill in the art to which the subject matter pertains at the time the invention was made. *See* 35 U.S.C. § 103(a).

To establish a *prima facie* case of obviousness, three basic criteria must be met. First, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings. Second, there must be reasonable expectation of success. Finally, the prior art reference (or references when combined) must be teach or suggest all of the claim limitations.

MPEP § 2142 (citing *In re Vaeck*, 947 F.2d 488 (Fed. Cir. 1991)); *see also* MPEP § 2143.03 (citing *In re Royka*, 490 F.2d 981 (CCPA 1974)).

If obviousness is based upon a combination of references, "there must be some teaching, or suggestion, or motivation to combine the references. *See In re Rouffet*, 149 F.3d 1350, 1355-56 (Fed. Cir. 1988); *Ruiz v. A.B. Chance Co.*, 234 F.3d 654, 664 (Fed. Cir. 2000). “The examiner bears the initial burden of factually supporting any *prima facie* conclusion of obviousness.” MPEP § 2142. The Examiner's duty may not be satisfied by engaging in impermissible hindsight; any conclusion of obviousness must be reached on the basis of facts

gleaned from the prior art. *See In re Dembiczak*, 50 U.S.P.Q.2d (BNA) 1614, 1617 (Fed. Cir. 1999) ("[c]ombining prior art references without evidence of such a suggestion, teaching, or motivation simply takes the inventor's disclosure as a blueprint for piecing together the prior art to defeat patentability – the essence of hindsight"); MPEP § 2142 ("The teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art, and not based on applicant's disclosure."). The Examiner must therefore provide evidence to suggest the combination and "[b]road conclusory statements regarding the teaching of multiple references, standing alone, are not 'evidence.'" *Dembiczak*, 50 U.S.P.Q.2d at 1617. (subjective opinion of the Examiner is not sufficient).

Applicant respectfully submits that the Examiner has not met the Examiner's burden of factually supporting the alleged motivation to combine the Ausubel article with the Ausubel '383 patent. The Examiner has not cited to any evidence within the Ausubel article or the Ausubel '383 patent which support motivation to combine these references to achieve Applicants' claimed invention. Indeed, the Ausubel '383 patent explicitly teaches away from the disclosed system being used in conjunction with a Vickrey auction. In cols. 1-2, the Ausubel '383 patent discusses the various disadvantages of using a Vickrey auction and lays the foundation for how the invention described in the specification and claims fundamentally differs from the Vickrey auction and solves perceived problems with the Vickrey auction.

The best-known examples of sealed-bid auctions in the art include: the U.S. Treasury's "discriminatory" auctions of bonds and bills; the U.S. Treasury's "uniform-price" auctions of bonds and bills; and the Vickrey auction, proposed by Vickrey (1961). Each of these auctions is a sealed-bid format, and so suffers from the disadvantages described above: the absence of any possibility for bidders to react to their competitors' bids; and the revelation of the high-bidder's value to the auctioneer. ... Meanwhile the Vickrey auction has the additional disadvantage of being perceived as complicated and unintuitive to bidders.

Ausubel '383 patent, col. 1:66-2:13. Rather than providing the required motivation to combine the references, the Ausubel '383 patent explicitly states that one would *not* use a Vickrey auction such as that described in the Ausubel article. Therefore, Applicant respectfully submits that the Examiner has not established a *prima facie* case of obviousness for any of Claims 1-44 and therefore the claims are allowable on that basis.

**B. The Ausubel Article Is Not Prior Art To The Present Application.**

Applicant further respectfully submits for consideration a second Declaration of inventor Stuart C. Maudlin, under 37 C.F.R. § 1.131.

The Ausubel article cited by the Examiner is dated June 28, 1999. Maudlin in both this declaration, and the declaration dated October 30, 2002, establishes that his invention date is not later than December 7, 1998, approximately six months prior to the Ausubel article. *See* Declaration of Stuart C. Maudlin Under 37 C.F.R. § 1.131 ("Maudlin Decl."). The *Natural Gas Week* article attached to the Maudlin Decl., presents an enabling description to practice the invention. *See* Maudlin Decl., Exhibit C. *See Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55, 67-68 (1998).

As Applicant swears behind the Ausubel article, establishing invention prior to the Ausubel article, the rejections under 35 U.S.C. § 103(a), using the Ausubel article in combination with the Ausubel '383 patent, are no longer appropriate as to Claims 1-44. Applicant respectfully requests the rejections be withdrawn on this ground and the claims pass to issue.

**C. All Elements Of The Claims Are Not In The Prior Art.**

For the reasons described above, Applicant believes all claims are allowable in light of Examiner's 35 U.S.C. § 103(a) rejection. Additional arguments on a claim-by-claim basis are set forth below.

Claim 1. Claim 1 is patentably distinct over the Ausubel article and the Ausubel '383 patent because it claims maximizing revenue and profit to the seller. The Examiner states that "it would have been obvious to one of ordinary skill in the art at the time of the invention to use the Vickrey-type auction techniques to maximize profit and revenue because that is the goal of any rational business strategy." However, Applicant respectfully submits that the Examiner has not met the Examiner's burden of factually supporting the alleged motivation to combine the references with this statement, especially in light of the complete lack of any profit maximization teaching in the references and Applicant's own disclosure that profit maximization requires additional steps beyond those taken for revenue maximization. "Broad conclusory statements

regarding the teaching of multiple references, standing alone, are not 'evidence.'" *In re Dembiczak*, 50 U.S.P.Q.2d 1664, 1667 (Fed. Cir. 1999) (subjective opinion of the Examiner is not sufficient).

Claim 2. Claim 2 has several limitations not included in the references cited by the Examiner. Claim 2 includes the limitation of "sorting received bids" during the process of calculating an optimum selling price; this limitation is not disclosed in any figure of the Ausubel '383 patent. The Examiner's cite to col. 9:57-59 relates to determining a current high bid in the next round of the disclosed auction, not to determining an ultimate winning bid. Claim 2 also requires "processing bids to determine the optimum selling price," which the cited references do not do. The Examiner cites to Figure 2B, which discloses an embodiment that does not process the bids to determine a selling price; instead, the selling price is pre-selected and the disclosed embodiment merely determines the quantity to be sold at that price.

Claim 3. Claim 3 has been amended to include the limitations of Claims 1 and 2, thus removing those dependencies. The Applicant notes that by including the limitations of Claims 1 and 2 in Claim 3, Applicant is in no way narrowing Claim 3 nor adding further limitations. Applicant further notes that Claim 3 provides a limitation for determining and recording whether "at market bids" will be accepted. Neither the Ausubel '383 patent nor the Ausubel article disclose a capacity for accepting "at market bids." The Examiner cites to col. 9:12-13, 37 in the Ausubel '383 patent for this limitation, but these passages only reflect that the high bidders win the auction and do not show a capacity for placing or accepting an "at market bid."

Claim 4. Claim 4 depends from Claim 2 and Applicant therefore incorporates by reference the response to Claim 2. Claim 4 further contains a limitation for collection and recording bids containing information regarding "whether bidder will accept partial quantity, according to the procedures selected and announced." The cited references do not disclose this limitation. The Examiner cites to Ausubel '383 patent, col. 8:5-7, which allows for contingent demand depending on bidding history or other bidder's bids; it does not state whether partial quantity would be accepted. Claim 4 also contains a limitations for "rejecting nonconforming

bids," which is not disclosed in either reference nor is any provision made in any flow chart figure to so reject bids.

Claim 5. Claim 5 depends upon Claim 2 and Applicant incorporates by reference arguments made as to Claim 2. Claim 5 contains a limitation for "sorting and consolidating all at market bids," which, as stated above (in Claim 3), the cited references do not disclose the capacity to accept.

Claim 6. Claim 6 depends on Claim 3 and Applicant incorporates by reference the response to Claim 3. Claim 6 further contains a limitation for collection and recording bids containing "whether bidder will accept partial quantity, according to the procedures selected and announced." The cited references do not disclose this limitation. The Examiner cites to Ausubel '383 patent, col. 8:5-7, which allows for contingent demand depending on bidding history or other bidder's bids; it does not state whether partial quantity would be accepted. Claim 6 also contains limitations for "rejecting nonconforming bids," which is not disclosed in either reference nor is any provision made in any flow chart figure to so reject bids.

Claim 7. Claim 7 depends upon Claim 3 and Applicant incorporates by reference arguments made as to Claim 3. Claim 7 contains a limitation for "sorting and consolidating all at market bids," which, as stated above (in Claim 3), the cited references do not disclose the capacity to accept.

Claim 8. Claim 8 depends on Claim 4 and Applicant incorporates by reference arguments made as to Claim 4. Claim 8 contains a limitation for "sorting and consolidating all at market bids," which, as stated above (in Claim 3), the cited references do not disclose the capacity to accept.

Claim 9. Claim 9 depends on Claim 6 and Applicant incorporates by reference arguments made as to Claim 6. Claim 9 contains a limitation for "sorting and consolidating all at market bids," which, as stated above (in Claim 3), the cited references do not disclose the capacity to accept.

Claim 10. Claim 10 depends on Claim 2 and Applicant incorporates by reference the response as to Claim 2. The Examiner cites to the Ausubel article in support for the rejection of

this claim. As shown above, and by the accompanying Declaration of Stuart C. Maudlin, the Ausubel article is not prior art to the present invention. In addition, this claim requires the processing of bids to determine the selling price and the Ausubel article does not provide disclosure of a system for processing.

Claim 11. Claim 11 depends on Claim 3 and Applicant incorporates by reference the response as to Claim 3. The Examiner cites to the Ausubel article in support for the rejection of this claim. As shown above, and by the accompanying Declaration of Stuart C. Maudlin, the Ausubel article is not prior art to the present invention. In addition, this claim requires the processing of bids to determine the selling price and the Ausubel article does not provide disclosure of a system for processing.

Claim 12. Claim 12 depends on Claim 4 and Applicant incorporates by reference the response as to Claim 4. The Examiner cites to the Ausubel article in support for the rejection of this claim. As shown above, and by the accompanying Declaration of Stuart C. Maudlin, the Ausubel article is not prior art to the present invention. In addition, this claim requires the processing of bids to determine the selling price and the Ausubel article does not provide disclosure of a system for processing.

Claim 13. Claim 13 depends on Claim 5 and Applicant incorporates by reference the response as to Claim 5. The Examiner cites to the Ausubel article in support for the rejection of this claim. As shown above, and by the accompanying Declaration of Stuart C. Maudlin, the Ausubel article is not prior art to the present invention. In addition, this claim requires the processing of bids to determine the selling price and the Ausubel article does not provide disclosure of a system for processing.

Claim 14. Claim 14 depends on Claim 6 and Applicant incorporates by reference the response as to Claim 6. The Examiner cites to the Ausubel article in support for the rejection of this claim. As shown above, and by the accompanying Declaration of Stuart C. Maudlin, the Ausubel article is not prior art to the present invention. In addition, this claim requires the processing of bids to determine the selling price and the Ausubel article does not provide disclosure of a system for processing.

Claim 15. Claim 15 depends on Claim 7 and Applicant incorporates by reference the response as to Claim 7. The Examiner cites to the Ausubel article in support for the rejection of this claim. As shown above, and by the accompanying Declaration of Stuart C. Maudlin, the Ausubel article is not prior art to the present invention. In addition, this claim requires the processing of bids to determine the selling price and the Ausubel article does not provide disclosure of a system for processing.

Claim 16. Claim 16 depends on Claim 8 and Applicant incorporates by reference the response as to Claim 8. The Examiner cites to the Ausubel article in support for the rejection of this claim. As shown above, and by the accompanying Declaration of Stuart C. Maudlin, the Ausubel article is not prior art to the present invention. In addition, this claim requires the processing of bids to determine the selling price and the Ausubel article does not provide disclosure of a system for processing.

Claim 17. Claim 17 depends on Claim 9 and Applicant incorporates by reference the response as to Claim 9. The Examiner cites to the Ausubel article in support for the rejection of this claim. As shown above, and by the accompanying Declaration of Stuart C. Maudlin, the Ausubel article is not prior art to the present invention. In addition, this claim requires the processing of bids to determine the selling price and the Ausubel article does not provide disclosure of a system for processing.

Claim 18. Claim 18 is dependent upon Claim 3 and Applicant therefore incorporates by reference the response as to Claim 3. Claim 18's limitations as to seller profit optimization and the determination of a cost function are not disclosed in the cited references and there is no provision in either reference for additional cost function to account for profit maximization. Additional calculations, beyond those necessary to determine revenue maximization, may be required to maximize profit, which is not taken into account in either reference cited by the Examiner.

Claim 19. Claim 19 is dependent upon Claim 4 and Applicant therefore incorporates by reference the response as to Claim 4. Claim 19's limitations as to seller profit optimization and the determination of a cost function are not disclosed in the cited references and there is no

provision in either reference for additional cost function to account for profit maximization. Additional calculations, beyond those necessary to determine revenue maximization, may be required to maximize profit, which is not taken into account in either reference cited by the Examiner.

Claim 20. Claim 20 is dependent upon Claim 5 and Applicant therefore incorporates by reference the response as to Claim 5. Claim 20's limitations as to seller profit optimization and the determination of a cost function are not disclosed in the cited references and there is no provision in either reference for additional cost function to account for profit maximization. Additional calculations, beyond those necessary to determine revenue maximization, may be required to maximize profit, which is not taken into account in either reference cited by the Examiner.

Claim 21. Claim 21 is dependent upon Claim 6 and Applicant therefore incorporates by reference the response as to Claim 6. Claim 21's limitations as to seller profit optimization and the determination of a cost function are not disclosed in the cited references and there is no provision in either reference for additional cost function to account for profit maximization. Additional calculations, beyond those necessary to determine revenue maximization, may be required to maximize profit, which is not taken into account in either reference cited by the Examiner.

Claim 22. Claim 22 is dependent upon Claim 7 and Applicant therefore incorporates by reference the response as to Claim 7. Claim 22's limitations as to seller profit optimization and the determination of a cost function are not disclosed in the cited references and there is no provision in either reference for additional cost function to account for profit maximization. Additional calculations, beyond those necessary to determine revenue maximization, may be required to maximize profit, which is not taken into account in either reference cited by the Examiner.

Claim 23. Claim 23 is dependent upon Claim 8 and Applicant therefore incorporates by reference the response as to Claim 8. Claim 23's limitations as to seller profit optimization and the determination of a cost function are not disclosed in the cited references and there is no



provision in either reference for additional cost function to account for profit maximization. Additional calculations, beyond those necessary to determine revenue maximization, may be required to maximize profit, which is not taken into account in either reference cited by the Examiner.

Claim 24. Claim 24 is dependent upon Claim 9 and Applicant therefore incorporates by reference the response as to Claim 9. Claim 24's limitations as to seller profit optimization and the determination of a cost function are not disclosed in the cited references and there is no provision in either reference for additional cost function to account for profit maximization. Additional calculations, beyond those necessary to determine revenue maximization, may be required to maximize profit, which is not taken into account in either reference cited by the Examiner.

Claim 25. Claim 25 is dependent upon Claim 10 and Applicant therefore incorporates by reference the response as to Claim 10. Claim 25's limitations as to seller profit optimization and the determination of a cost function are not disclosed in the cited references and there is no provision in either reference for additional cost function to account for profit maximization. Additional calculations, beyond those necessary to determine revenue maximization, may be required to maximize profit, which is not taken into account in either reference cited by the Examiner.

Claim 26. Claim 26 is dependent upon Claim 11 and Applicant therefore incorporates by reference the response as to Claim 11. Claim 26's limitations as to seller profit optimization and the determination of a cost function are not disclosed in the cited references and there is no provision in either reference for additional cost function to account for profit maximization. Additional calculations, beyond those necessary to determine revenue maximization, may be required to maximize profit, which is not taken into account in either reference cited by the Examiner.

Claim 27. Claim 27 is dependent upon Claim 12 and Applicant therefore incorporates by reference the response as to Claim 12. Claim 27's limitations as to seller profit optimization and the determination of a cost function are not disclosed in the cited references and there is no

provision in either reference for additional cost function to account for profit maximization. Additional calculations, beyond those necessary to determine revenue maximization, may be required to maximize profit, which is not taken into account in either reference cited by the Examiner.

Claim 28. Claim 28 is dependent upon Claim 13 and Applicant therefore incorporates by reference the response as to Claim 13. Claim 28's limitations as to seller profit optimization and the determination of a cost function are not disclosed in the cited references and there is no provision in either reference for additional cost function to account for profit maximization. Additional calculations, beyond those necessary to determine revenue maximization, may be required to maximize profit, which is not taken into account in either reference cited by the Examiner.

Claim 29. Claim 29 is dependent upon Claim 14 and Applicant therefore incorporates by reference the response as to Claim 14. Claim 29's limitations as to seller profit optimization and the determination of a cost function are not disclosed in the cited references and there is no provision in either reference for additional cost function to account for profit maximization. Additional calculations, beyond those necessary to determine revenue maximization, may be required to maximize profit, which is not taken into account in either reference cited by the Examiner.

Claim 30. Claim 30 is dependent upon Claim 15 and Applicant therefore incorporates by reference the response as to Claim 15. Claim 30's limitations as to seller profit optimization and the determination of a cost function are not disclosed in the cited references and there is no provision in either reference for additional cost function to account for profit maximization. Additional calculations, beyond those necessary to determine revenue maximization, may be required to maximize profit, which is not taken into account in either reference cited by the Examiner.

Claim 31. Claim 31 is dependent upon Claim 16 and Applicant therefore incorporates by reference the response as to Claim 16. Claim 31's limitations as to seller profit optimization and the determination of a cost function are not disclosed in the cited references and there is no

provision in either reference for additional cost function to account for profit maximization. Additional calculations, beyond those necessary to determine revenue maximization, may be required to maximize profit, which is not taken into account in either reference cited by the Examiner.

Claim 32. Claim 32 is dependent upon Claim 17 and Applicant therefore incorporates by reference the response as to Claim 17. Claim 32's limitations as to seller profit optimization and the determination of a cost function are not disclosed in the cited references and there is no provision in either reference for additional cost function to account for profit maximization. Additional calculations, beyond those necessary to determine revenue maximization, may be required to maximize profit, which is not taken into account in either reference cited by the Examiner.

Claim 33. Claim 33 is dependent upon Claim 8 and Applicant incorporates by reference the response to Claim 8. Claim 33 contains the additional limitation of processing bids made "at market" which neither reference provides disclosure for accepting or processing, as stated above. The Examiner cites to col. 9:37-48 for support, however, this section deals only with awarding the winning bidder, not to providing units to an "at market bidder."

Claim 34. Claim 34 is dependent upon Claim 16 and Applicant incorporates by reference the response to Claim 16. Claim 34 contains the additional limitation of processing bids made "at market" which neither reference provides disclosure for accepting or processing, as stated above. The Examiner cites to col. 9:37-48 for support, however, this section deals only with awarding the winning bidder, not to providing units to an "at market bidder."

Claim 35. Claim 35 is dependent upon Claim 23 and Applicant incorporates by reference the response to Claim 23. Claim 35 contains the additional limitation of processing bids made "at market" which neither reference provides disclosure for accepting or processing, as stated above. The Examiner cites to col. 9:37-48 for support, however, this section deals only with awarding the winning bidder, not to providing units to an "at market bidder."

Claim 36. Claim 36 is dependent upon Claim 33 and Applicant incorporates by reference the response as to Claim 33. Claim 36 contains additional limitation related to the processing of "at market" bids, which as stated above, the cited references contain no disclosure for handling.

Claim 37. Claim 37 is dependent upon Claim 34 and Applicant incorporates by reference the response as to Claim 34. Claim 37 contains additional limitation related to the processing of "at market" bids, which as stated above, the cited references contain no disclosure for handling.

Claim 38. Claim 38 is dependent upon Claim 35 and Applicant incorporates by reference the response as to Claim 35. Claim 38 contains additional limitation related to the processing of "at market" bids, which as stated above, the cited references contain no disclosure for handling.

Claim 39. Claim 39 contains the limitation of "determining from the submitted bids a sale price to reach a maximum profit." As stated above, there is no disclosure in either reference that maximizing profit is a goal or how to achieve it. The Examiner cites to col. 7:25-45 of the Ausubel '383 patent for support, but therein there is no disclosure of profit maximization. The Applicant further incorporates by reference previous discussion related to the lack of disclosure of profit maximization as it applies to the auction disclosed in the current specification. Claim 39 further contains a limitation of "selling items to the buyers who offered a bid price which is equal to or higher than the determine sales price." The Examiner cites to col. 7:40-43 of the Ausubel '383 patent as support; however, in that section of the disclosure the buyers are not offering a "bid price," they are bidding on a quantity at a set price.

Claim 40. Claim 40 depends from Claim 39 and Applicant incorporates by reference the response as to Claim 39. The Examiner states that "it would have been obvious to one of skill in the art at the time of the invention to include the method of maximizing revenue of Ausubel et al. into the auction of the '383 patent because traditional Vickrey auctions, as implemented in the '383 patent, suffer from small revenues in cases where competition is weak." As stated above, the Ausubel '383 patent specifically teaches away from the use of a Vickrey auction method and therefore it would not have been obvious to combine the teachings of the two references.

Claim 41. Claim 41 is dependent upon Claim 40, and the Applicant incorporates by reference its response as to Claim 40. Claim 41 contains limitations related in part to "at market

bids," which are not disclosed in either the Ausubel article or Ausubel '383 patent. Applicant incorporates its previous argument related to the lack of disclosure of "at market bids."

Claim 42. Claim 42 depends upon Claim 40 and the Applicant incorporates by reference the response to Claim 40. This claim contains limitations of determining a cost profile, calculating bid profits, and selecting the highest profit to determine the sales price. As previously stated, neither the Ausubel article nor the Ausubel '383 patent disclose the use of cost profiles to maximize profit.

Claim 43. Claim 43 depends upon Claim 41 and the Applicant incorporates by reference the response to Claim 41. This claim contains limitations of determining a cost profile, calculating bid profits, and selecting the highest profit to determine the sales price. As stated, neither the Ausubel article nor the Ausubel '383 patent disclose the use of cost profiles to maximize profit.

Claim 44. Claim 44 depends on Claim 42 and Applicant incorporates by reference the response as to Claim 42. Claim 44 contains a limitation of "processing at market bids," which as stated above neither cited reference contains disclosure for or suggest the capacity to process "at market bids."

For the above cited reasons, the Applicant respectfully suggests that a *prima facie* case of obviousness in light of cited references has not been made as to any of the listed claims. Therefore, the Applicant respectfully requests that the rejections therefore be withdrawn.

## **II. CLAIM REJECTIONS UNDER 35 U.S.C. § 101.**

The Examiner has rejected Claim 1 under 35 U.S.C. § 101 because "claim 1 cites a method, but does not disclose any method steps for carrying out the invention." Applicant has amended claim 1 to emphasize both the result and the method steps for achieving that result. Applicant believes that Claim 1 is now in allowable form and respectfully requests that the Examiner pass the claim to allowance.


Applicant respectfully requests that a timely notice of allowance be issued in this case.

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PATENT

Respectfully submitted,

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